

Kiplinger

SHORT-TERM INSURANCE PLANS' GOOD, BAD AND UGLY

You'll need a squinty-eyed analysis to gauge the value of short-term care insurance plans and if they're right for you.



By: David Rodeck - May 26, 2022

Americans would like nothing more than to live in their own homes in their old age. Can short-term care insurance help them do it? The plans have a good, bad and ugly side worthy of a Clint Eastwood movie and require a squinty-eyed analysis to gauge their value.

On the plus side, "short-term care plans fill the need for those who want some protection, but are too old, too unhealthy or cannot afford long-term care insurance," says Jesse Slome, director of the American Association for Long-Term Care Insurance. The downside is short-term policies only cover care for one year or less, limiting how much they pay out per day or week.

Although the policies are more affordable than long-term care insurance, you also get less for your money. For example, a short-term care policy in Illinois covering \$1,050 of home care a week for up to 52 weeks would cost a 65-year-old woman \$63 a month, according to AALTCI. If that same policy also covers nursing homes, the cost is \$125 per month, but that care is considered a separate benefit that pays only up to \$200 per day for 365 days after a 100-day waiting period. By comparison, a long-term care policy would cost that same applicant \$175 a month if she is in good health or \$258 a month if she has some health conditions and pay for roughly three years of care at home or 18 months in a facility, after a similar waiting period.

The Good

Short-term care plans do have one big benefit, though: "People will have an easier time getting insured," says Slome, adding, "It's a great planning option for those who only want a home care benefit." The policies accept applicants at much older ages than long-term care insurance, potentially up to age 89, and have simpler medical underwriting. To screen applicants, the applications mainly use yes or no health questions, such as "Have you had a heart attack in the past 24 months?" or "Are you currently using a walker?"

For women, the unisex pricing is particularly attractive, whereas long-term care insurance policies typically charge women 40% more because their average number of claims is higher, says Slome.

The Bad

Those advantages aren't enough to convince Skip Skolnik, founder of Skolnik Retirement Solutions in Elyria, Ohio, that the policies are worth getting when the median annual cost of a private room in a nursing home is a little over \$100,000 and a home health aide is more than half that amount. "It's like trying to cover a gaping wound with a Band-Aid," he says. Someone with financial assets of \$200,000 or more "could cover the costs themselves for a few months," he says. "The real risk is a need that lasts years." People with more limited assets typically qualify for Medicaid and don't need extra private insurance, he adds.

Even Medicare will cover short-term care at home and in a facility in some situations. For example, if you need home care to recover

from a specific injury or illness, Medicare will pay for a home health aide for up to 60 days and could even extend that period if the care is deemed medically necessary. As a result, you may already have a chunk of this short-term need covered.

The Ugly

Short-term care policies aren't easy to find. A number of states, including California, Florida, Massachusetts and New York, ban the policies from their insurance markets in part because the benefits are considered too skimpy. Even if you live in a state where short-term care plans are sold, most insurers don't want to deal with them. "Short-term care is not on anyone's radar," says Patrick Simasko, elder law attorney with Simasko Law in Mount Clemens, Mich.

Only some insurers -- Aetna, Medico and Standard Life, for example -- offer short-term care policies, says Slome; his association's website can refer you to others. In addition, he says, "there are very few agents versed in these policies." Because most people who look into short-term care have health problems, Slome recommends using an agent who understands this type of insurance and the underwriting for it.

Someone who can afford and qualify for more generous long-term care coverage is probably better off getting that instead, but despite their limitations, short-term policies do serve a purpose, Slome says. "Most people have nothing for this type of coverage. A year is better than nothing."

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